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Do Ethics Matter in International Business Diplomacy? A Look at Australia and the AUKUS Alliance

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Why do so many countries get international business (IB) diplomacy ethically wrong? Before we can answer this question, let us briefly understand what is international business diplomacy. According to [Saner et al. \(2000, p.85\)](#), it involves influencing economic and social actors to create and seize new business opportunities; working with rule-making international bodies whose decisions affect international business; forestalling potential conflicts with stakeholders and minimising political risks; and using multiple international forums and media channels to safeguard corporate image and reputation. IB diplomacy is extremely important for countries due to the need for effectively managing disagreements and interpersonal conflicts because failing to do so would have serious consequences for that country, not only in its ability to enter trade agreements and form cooperative economic partnerships but also manage its reputation and global image in a multi-polar world.

In fact, in the current, uncertain, and complex environment where countries are willing to leverage every small and big opportunity to remain economically viable and maintain legitimacy, the stakes are even higher. [The Covid-19 pandemic has not only destroyed the economy of many small countries](#) but it has also [disrupted global supply chains](#) and has brought out in the open the uneven nature of international trade and the overdependence of countries on China for the supply of goods and services. At the same time, there is a shift in the balance of power as China has begun to dominate and challenge other countries in the Indo-Pacific and beyond. This shift has the potential to change the world order. And, still countries make blunders when it comes to IB diplomacy.

On 15th Sept, Australia, the United Kingdom (UK) and the United States (US) unveiled a new strategic partnership known as "[AUKUS](#)". The objective of this trilateral alliance is for the UK and US to help Australia build a fleet of nuclear-capable (not armed) submarines through transfer of knowledge, technology, personnel, and research & development (R&D). While strategically important from a national security perspective, the AUKUS deal promises to create thousands of jobs in Australia, and will give a boost to the Australian economy which has become sluggish due to the Covid-19 pandemic.

In terms of the deal itself, although not explicitly mentioned during the official announcement, it is not hard to figure out that this initiative was launched in response to the growing perception of a rising Chinese threat (Walt, 2021). [China is Australia's largest trading partner](#) and the two countries have traditionally enjoyed a healthy relationship until the Covid-19 pandemic began and when [Australia demanded an official World Health Organisation \(WHO\)-led investigation be conducted to determine the origins of the Wuhan virus. In response, China hit Australia with a raft of trade sanctions across a range of industries \(e.g., wine, agriculture\) and the relationship has been deteriorating since then.](#)

In response to China's economic coercion, Australia, since 2020, has been pro-actively engaging in IB diplomacy to strengthen its international standing. The [Quadrilateral security dialogue \(QUAD\) is a prime example of Australia working with other countries to counter China](#) and create new trade opportunities. While Australia is within its rights to pursue international trade agreements that advance its strategic and national interests, in pursuing a deal like the AUKUS, [Australia had to scrap its pre-existing \\$90 billion agreement with France to buy twelve conventional submarines.](#)

As expected, the French are angry about this and have left no time expressing their unhappiness by [recalling their ambassadors to Australia and US. The French foreign minister said "it was a stab in the back" and that "their trust was betrayed"](#). On the other hand, [China also reacted sharply, and the Chinese foreign ministry spokesperson, Zhao Lijian said the move "gravely undermines regional peace and stability" and will only aggravate the arms race.](#) So, did Australia do right by France? Clearly, the clear answer is no! France is the most important member of the European Union (EU) while the EU is Australia's second largest trading partner. Most likely, [France is going to push EU to give a tough time to Australia when it comes to trade negotiations and ultimately causing major delays in securing any free trade agreement \(FTA\).](#) Furthermore, France is also going to give a tough time to Australia on the climate change agenda as [EU has promised imposing high tariffs for those countries who fail to meet their Paris climate accord obligations.](#)

So, where did Australia get this all wrong? The problem is that when it comes to IB diplomacy, many countries often make poor and unethical choices as they compromise on a long-term opportunity to make a short-term gain. In doing so, they often end up making irrational decisions as they are sometimes too focused on advancing their own interest and agenda which comes at a price of a strained relationship with an ally, as we can see with the relations between Australia and France, that may take a long time to repair. So, what could Australia have done differently here? Should Australia focus on maintaining peace and cooperation with its ally and important strategic partner like France? Should Australia focus on advancing its interests over other's interests? Or, should Australia promote institutions to maintain balance, preserve power and create strategic space? We argue that it's all of the above! It is not only Australia's ethical and moral duty but also in its best interest to take the French into its confidence and work out an alternative arrangement that allows Australia to achieve its objectives without damaging its relationship with an important strategic partner and ally like France.

As France is itself a nuclear superpower, Australia could have renegotiated its pre-existing arrangement to allow France to help Australia build nuclear-powered submarines while inviting new strategic and defense partnerships with other countries like the UK and US. This would be a win-win situation for all partners and especially Australia as it continues to work together with other countries to achieve common objectives. This will also boost the Australian economy and would open up new economic opportunities for entering into FTAs, creating jobs and promoting domestic industries (like, defense) while projecting a positive country-of-origin image. Most importantly, it is telling other countries around the world that Australia is a reliable friend and a trusted business partner.

The inability of nation states to agree on and meet international obligations in international business can often raise questions about their ethical conduct. Globalisation has increased public awareness and concern regarding events in various parts of the world resulting in greater scrutiny of business and trade activities (Kline, 2010). Even though the emerging and evolving nature of international relations poses numerous challenges for countries engaging in IB diplomacy, and even though it may not always be easy for countries to choose between what is right and wrong, they must take into account the ethical implications of their decisions and its impact on the stakeholders involved. Finally, we leave our readers with two apt quotes that best exemplify which forms of modern diplomacy countries may want to adopt:

All diplomacy is a continuation of war by other means – Zhou Enlai

Diplomacy when used as a means to actually offer respect to others and to serve others, then it is favourable – Radhanath Swami



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